

Message Text

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ACTION NEA-16

INFO OCT-01 EUR-25 ISO-00 AEC-11 AID-20 CEA-02 CIAE-00

CIEP-02 COME-00 DODE-00 EB-11 FEA-02 FPC-01 H-03

INR-10 INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01

SAM-01 SCI-06 SP-03 SS-20 STR-08 TRSE-00 DRC-01

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R 071232Z MAY 74

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 6392

INFO AMEMBASSY BONN

AMEMBASSY MOSCOW

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E.O. 11652: N/A

TAGS: ETRD, ENRG, IR, GW

SUBJ: IRAN/FRG ECONOMIC RELATIONS

REF: TEHRAN 3459

1. SUMMARY: GERMAN EMBASSY SOURCE CONFIRMS THAT PRESS REPORTS OF INVESTMENTS AGREED ON AT RECENT JOINT CONFERENCE WERE CONSIDERABLY EXAGGERATED. HOWEVER, JOINT VENTURE OIL REFINERY AND PETROCHEMICALS PLANT APPEAR PROMISING. TRI-PARTITE FRG-USSR-IRAN GAS LINE TALKS HELD IN TEHRAN JUST AFTER INVESTMENT CONFERENCE SEEM TO HAVE MADE SOME PROGRESS. END SUMMARY.

2. GERMAN EMBASSY ECON COUNSELOR GERHARDT DESCRIBED PRESS REPORTS OF \$2.5 BILLION INVESTMENT RESULTING FROM APRIL 28-30 IRAN/FRG INVESTMENT CONFERENCE AS USUAL EXAGGERATION BY IRANIAN PRESS. HE SAID THAT IF EVERY POSSIBLE INVESTMENT PROPOSAL DISCUSSED AT CONFERENCE WERE ADDED UP, INCLUDING BOTH GERMAN AND IRANIAN FINANCIAL INPUTS, TOTAL MIGHT ADD UP TO \$2.5 BILLION. HOWEVER, GERMAN EMB-
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ASSY WAS NOT EVEN HAZARDING A GUESS FOR INTERNAL USE OF TOAL AMOUNT

OF LIKELY NEW INVESTMENT. AGREEMENT ON 10 PROJECTS APPEARS FIRM, BUT THESE ARE MOSTLY EXPANSIONS OF EXISTING FACILITIES. ANOTHER SIX PROJECTS PLACED IN CATEGORY IN WHICH DEFINITE PROGRESS NEGOTIATED OR ANNOUNCED DURING MEETING, BUT SIGNIFICANT DETAILS OF JOINT VENTURE AGREEMENTS STILL REMAIN TO BE WORKED OUT. IN THIRD CATEGORY, EMBASSY PLACED 18 PROPOSED PROJECTS WHICH STILL AT STAGE OF FEASIBILITY STUDY.

3. GERHARDT SAID EMBASSY PLACES JOINT VENTURE 500,000 BPD OIL REFINERY WITH NIOC IN SECOND CATEGORY. WHILE LETTER OF UNDERSTANDING SIGNED BY NIOC AND FIVE GERMAN OIL COMPANIES PARTICIPATING, MAY DETAILS REMAIN TO BE WORKED OUT. IN HIS PERSONAL VIEW, REFINERY PROBABLY IS A STARTER AND CHANCES SEEM GOOD IT WILL BE IN OPERATION BY 1977-78. A COMPROMISE IN PRINCIPLE ON GOI-DESIRED REFINERY - PETROCHEMICAL LINK HAS BEEN REACHED, WITH BAYER & HOECHST APPARENTLY DISPOSED TO UNDERTAKE THE PETROCHEMICAL PROJECT. (COMMENT: AUTHORITATIVE IRANIAN SOURCES HAVE STATED THAT COMPROMISE CONSISTS IN AGREEMENT TO USE HALF THE REFINERY'S NAPHTHA OUTPUT IN A GERMAN-NPC JOINT VENTURE IN IRAN, AND TO EXPORT THE OTHER HALF TO GERMANY. THESE SOURCES HINTED IRAN WILL BE WILLING TO CONSIDER OTHER PETROCHEMICAL VENTURES ON A SIMILAR BASIS OF TRADING OFF SAME FEEDSTOCK SUPPLY FOR PETROCHEMICAL PROJECTS IN IRAN.) REFINERY PROBABLY WILL BE LOCATED AT BUSHIRE, BUT BAYER-HOECHST IS HOLDING OUT AGAINST BUILDING PETROCHEMICALS COMPLEX ON PERSIAN GULF BECAUSE OF DIFFICULTIES RECRUITING EXPATRIATES TO LIVE IN HOT, HUMID CLIMATE.

4. IN RESPONSE TO QUESTION CONCERNING PRESS REPORTS OF THIS WEEK'S TRI-PARTITE TALKS BETWEEN GERMANS, SOVIETS AND NATIONAL IRANIAN GAS COMPANY REPRESENTATIVES ON LONG-MOOTED THREE-WAY DEAL TO CONSTRUCT SECOND PIPELINE TO USSR FOR EXPORT OF IRANIAN GAS, WHICH WOULD FREE RUSSIAN NATURAL GAS FOR SALE TO FRG, GERHARDT SAID TALKS HAD NO CONNECTION WITH VISIT OF GERMAN INVESTMENT DELEGATION. HE UNDERSTOOD "SOME PROGRESS" MADE AT TRI-PARTITE MEETING, BUT PRICE SOVIETS TO PAY FOR IRANIAN GAS STILL NOT AGREED UPON. FRG, HOWEVER, EXPECTS TO PAY MARKET PRICE FOR RUSSIAN GAS TO BE PIPED TO WEST GERMAN-CZECH BORDER. (COMMENT: AS WE HAVE NOTED, THIS PROJECT DEPENDS ON IRAN'S PROVING UP NEW GAS RESERVES.)
HELMS

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